

Message Text

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ACTION EB-04

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C O N F I D E N T I A L ROME 13906

LIMDIS GREENBACK

USEEC ALSO FOR EMBASSY

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EO 11652: GDS
TAGS: EFIN, IT, EEC
SUBJ: ITALIAN REACTION TO JULY 24 EC FINANCE CONCIL MEETING

1. ACCORDING TO SILVANO PALUMBO, TREASURY'S DIRECTOR
GENERAL FOR INTERNATIONAL RELATIONS, THE DISCUSSIONS AT
THE JULY 24 MEETING REMAINED ON A GENERAL PLANE. HE
SAID, HOWEVER, THAT HE RECEIVED THE CLEAR IMPRESSION
THAT, WHILE GERMANY AND FRANCE MAY BE IN AGREEMENT
ABOUT THE ULTIMATE GOAL OF EUROPEAN MONETARY UNION,
THERE ARE BASIC DIFFERENCES BETWEEN THE TWO ON SPECIFICS.
HE CLAIMED THAT THEIR DIFFERENCES OVER THE ISSUE OF THE
ECU VS. CENTRAL RATES WOULD BE DIFFICULT TO RESOLVE. HE ALSO
THOUGHT THAT THE TRANSFER OF RESOURCE ASPECT WOULD PIT
GERMANY, HOLLAND AND, TO SOME EXTENT, BELGIUM AGAINST
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THE REST OF THE COMMUNITY.

2. PALUMBO CONFIRMED DURING HIS REMARKS TO TREASATT
THAT AT THE TECHNICAL LEVEL OF THE GOVERNMENT THERE IS
CONSIDERABLE SKEPTICISM ABOUT MONETARY UNION. HOWEVER,
ITALY IS COMMITTED TO THE COMMUNITY POLITICALLY AND SO
IT MUST MAKE AN EFFORT TO PARTICIPATE. PALUMBO SAID,

IN EFFECT, THAT THESE WERE THE INSTRUCTIONS WHICH HAD
COME FROM THE TOP. ITALY'S INFLUENCE ON THE ON-GOING
NEGOTIATIONS MAY HAVE BEEN REDUCED BY ERCOLANI'S
RETIREMENT AS DIRECTOR GENERAL FROM THE BANK OF ITALY. ERCOLANI HAD
TAKEN A PERSONAL INTEREST IN THIS MATTER AND WAS A VERY
ARTICULATE SPOKESMAN WITH A HELATHY SKEPTICISM FOR
MONETARY UNION AT THE PRESENT TIME. HE HAS BEEN
REPLACED AS THE BANK OF ITALY'S REPRESENTATIVE BY AN
ARDENT ADVOCATE OF MONETARY UNION IN THE PERSON OF
ECONOMIC COUNSELOR MAGNIFICO. GOVERNOR BAFFI, HOWEVER,
IS VERY MUCH IN COMMAND AT THE BANK AND HE REPORTEDLY
HAS SERIOUS RESERVATIONS ABOUT THE BENEFITS TO ITALY
OF JOINING THE TYPE OF MONETARY UNION INCORPORATED IN
THE GISCARD/SCHMIDT PROPOSAL.GARDNER

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